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WEDDING BELL BLUES:
THE INCOME TAX CONSEQUENCES OF LEGALIZING SAME-SEX MARRIAGE

James Alm, M. V. Lee Badgett, and Leslie A. Whittington*

* Georgia State University, University of Massachusetts, and Georgetown University. Rohit Burman provided valuable research assistance. Address all correspondence to Leslie A. Whittington, Georgetown Public Policy Institute, 3600 N Street NW, Washington, DC 20007 (Telephone - (202) 687-6100; Email - **whittinl@gunet.georgetown.edu**).

ABSTRACT:
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Recently, gay and lesbian couples have gone to court to force the government to allow same-sex couples to marry. Largely unnoticed during the debates surrounding same-sex marriages are their economic consequences, including the impact on government tax collections. It is well-known that a couple's joint income tax burden can change with marriage. Many couples, especially two-earner couples with similar incomes, pay a marriage tax because their taxes when married are more than their combined tax liabilities as single filers. This feature of the income tax suggests that legalizing same-sex marriages would increase income tax revenues because gay and lesbian households are thought to consist primarily of two-earner couples. In this paper we estimate the income tax effects of allowing same-sex couples to marry. We use estimates on the size of the homosexual population, the percent of this population in homosexual relationships, the percent who would marry if same-sex marriage becomes legal, and the average incomes of these couples, in order to generate estimates of the revenue impact. Our calculations indicate that legalizing these marriages would lead to an annual increase in federal government income taxes of between $0.3 billion and $1.3 billion, with the most likely impact toward the high range of the estimates.

Key Words: Marriage Tax, Same-Sex Marriage, Individual Income Tax

I. INTRODUCTION

In the last several decades, gays and lesbians have worked diligently to be accepted into all aspects of mainstream American life, with major efforts in addressing employment discrimination, housing access, medical treatment, partner benefits, adoption, and political representation. Recently, many of these efforts have centered on winning the right to marry.[1] Same-sex couples have gone to court in several states seeking the right to legally marry. The Hawaii Supreme Court and an Alaskan Superior Court have each ruled that the state must meet the most demanding constitutional test in order to limit marriage to opposite-sex couples: there must be a compelling state interest to limit marriage, and the policy must be narrowly tailored to meet that compelling interest.[2] A lower level court in Hawaii has already found that the law did not meet this standard (*Baehr v. Miike*, 1996), and has ruled that same-sex couples should be allowed to marry; this decision has been stayed pending appeal to the Hawaii Supreme Court. A similar case awaits action before the Vermont Supreme Court.

The prospect of same-sex couples traveling to Hawaii to marry and then returning to their home states to live as married couples has prompted policymakers in Congress and in many states to react. At the federal level, President Clinton signed in 1996 the Defense

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[1] Note that citizens in Denmark, Greenland, Iceland, Norway, and Sweden are allowed to as enroll as "registered partners", which confers a status similar to that of marriage between man and woman and which extends to the tax filing status of the partners; Finland, The Netherlands, Slovenia, and several other countries are likely to adopt similar laws in the near future. There are also numerous cities around the world, including some in the U.S., in which same-sex couples may enroll as partners without any accompanying legal status.

[2] See *Baehr v. Lewin*, 74 Haw. 530, 852 P. 2d 44 (1993), and *Brause v. Alaska*, Alaska Super. Ct. (1998). However, a 1998 referendum amended the Alaska state constitution to limit marriage to opposite-sex couples.

of Marriage Act (DOMA), which defined "marriage" in federal law as related only to opposite-sex couples and which allowed states to refuse to recognize same-sex marriages contracted in other states. At the state level, some states have passed legislation that would deny recognition of out-of-state marriages.

Swirling around the legal and legislative debates are many unresolved -- and perhaps unresolvable -- controversies, regarding such issues as the definition of marriage, the meaning of family, the notion of morality, the right of privacy, the influence of religion, and the scope of civil rights, as well as appropriate government policies toward all of these issues. In addition to these normative issues, policymakers and judges have also raised economic issues related to marriage. Most of the policy attention has been on the added costs imposed upon the state and federal governments from same-sex marriages. For example, during the debate on DOMA various senators and representatives used higher projected costs from same-sex marriages as an argument in favor of the bill.[3] Attorneys for the State of Vermont have argued that same-sex marriages would result in increased court costs related to child custody and visitation disputes.[4] In *Baehr v. Lewin*, the Hawaii Supreme Court has enumerated fourteen ways in which same-sex couples could benefit from tax breaks and other legal benefits.

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[3] For example, Senator Robert Byrd of West Virginia is quoted in the *Congressional Record* (Debate on H.R. 3396, Sept. 10, 1996, 104th Congress, U.S. Senate, p. S10110) as saying: "Moreover, I urge my colleagues to think of the potential cost involved here. How much is it going to cost the Federal Government if the definition of 'spouse' is changed? It is not a matter of irrelevancy at all. It is not a matter of attacking anyone's personal beliefs or personal activity. That is not my purpose here. What is the added cost in Medicare and Medicaid benefits if a new meaning is suddenly given to these terms?"

[4] See the State of Vermont, Brief of Appellee to Vermont Supreme Court, *Baker v. State of Vermont*, 1998.

However, little attention has been paid to the potential economic benefits to federal and state governments.[5] Prominent among these benefits is the impact on government tax collections. It is well-known that a couple's joint income tax burden can change with marriage in the United States. For many couples, their taxes when married are more than their combined tax liabilities as single filers, so that they pay a *marriage tax*. Many other couples receive a *marriage subsidy* because their joint taxes fall with marriage. Although estimates of the percentage of couples paying a marriage tax or receiving a marriage subsidy vary somewhat, as do estimates of the dollar magnitude of the marriage tax/ subsidy, the best recent estimates indicate that perhaps one-half or more of all married couples pay an average federal marriage tax of nearly $1,400, while most other married couples receive a marriage subsidy of a slightly smaller amount (Rosen, 1987; Feenberg and Rosen, 1995; Alm and Whittington, 1996; and Congressional Budget Office, 1997). Other things equal, families more likely to incur a marriage tax include those that have children, that are older, that have higher income, and that are white, while families more likely to receive a marriage subsidy have the opposite characteristics. Of particular relevance here, families with two earners generally pay a marriage tax, while families with a single earner almost certainly receive a marriage subsidy. As we argue later, theory and evidence suggest that same-sex couples are likely to be two-earner couples. This in turn suggests that legalizing same-sex marriage is likely to generate additional income tax revenues. However, the magnitude of this tax windfall is unknown.

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[5] Brown (1995) and LaCroix and Mak (1995) have estimated the impact of increased tourism-related economic activity for the first state to allow same-sex couples to marry.

In this paper we estimate the federal individual income tax effects of allowing same-sex marriages in the U.S.[6] Admittedly, generating these estimates is a somewhat precarious exercise. The lack of data makes any precise determination of the numbers and the characteristics of gay and lesbian couples virtually impossible. We therefore use various estimates on the size of the homosexual population, the percent of this population in same-sex relationships, the percent who would marry if same-sex marriage became legal, and the average incomes of these couples, in order to generate estimates of the revenue impact. Where several alternative sources are available, we choose estimates from random population surveys rather than what might be termed "convenience samples" (or nonrandom samples drawn mainly for the convenience of the researcher), in order to derive estimates with more statistical validity; we also choose sources that generate lower rather than higher estimates of the revenue impact, in order to calculate more conservative, lower-bound measures of the impact. Even so, our estimates indicate that legalizing same-sex marriages would lead to an annual increase in federal government income taxes of between $0.3 billion and $1.3 billion, with the most likely impact toward the high range of the estimates.

The next section briefly discusses the federal income tax treatment of married couples in the U.S. The third section presents our assumptions, methods, and data, including a discussion of theoretical and empirical studies that justify the assumption that

[6] Clearly, there are also state tax implications. However, the magnitude of these state effects is likely to be small or nonexistent, given the low and often proportional level of state marginal tax rates, as well as the different unit of taxation (e.g., the individual rather than the family) in some states. See Congressional Budget Office (1997) for a discussion of those features of state income tax systems that affect the marriage tax/subsidy at the state level.

same-sex couples are likely to have two earners. Results are discussed in section IV, and conclusions are in the last section.

II. THE INCOME TAX TREATMENT OF MARRIED COUPLES IN THE UNITED STATES[7]

The individual income tax was established in 1913, and its treatment of the family has varied over time. In its early years, the basic unit of taxation was the individual, in which each individual was taxed on the basis of his or her income independently of marital status. Because the tax liability did not change much with marriage, the income tax was largely marriage neutral. However, the Revenue Act of 1948 changed the unit of taxation from the individual to the family. With the adoption of income splitting for married couples, couples were now allowed to aggregate and to divide in half their income for federal tax purposes. This change meant that couples with equal incomes paid equal taxes; that is, the income tax became consistent with the goal of *horizontal equity across families*. However, because of the progressive tax rates in the income tax, the change also meant that a couple's joint tax liability could fall when they married, so that the income tax was not characterized by *marriage neutrality*.

It was not until the Tax Reform Act of 1969 that a widespread and significant marriage penalty was created for many married couples, even though a potential marriage subsidy still existed for some couples. Since then, various tax and demographic changes have markedly affected the potential for a marriage penalty or subsidy, as well as the

[7] For a more detailed discussion of the income tax treatment of the family, see Brazer (1980).

magnitude of each (Alm and Whittington, 1996).

The reason for the lack of marriage neutrality under current law is simple to explain. Married couples effectively split their income on tax returns. If two people marry and one of them has zero income, income splitting means that the individual with some income moves into a lower marginal tax bracket as a result of the marriage, so that the marriage reduces the combined tax burdens of the two partners. Conversely, when people with similar earnings marry, their combined income pushes the couple into higher tax brackets than they face as singles, and they pay correspondingly higher taxes with marriage.[8] Of course, the magnitude of the tax/subsidy depends upon an array of tax features, such as exemptions, deductions, and rate schedules, as well as the incomes and other characteristics of the partners.[9] Note, however, that the marriage tax/subsidy is not a statutory item in the tax code. Rather, it is a side effect of the current structure of the individual income tax, one that emerges because of the combination of progressive marginal tax rates and the family as the unit of taxation.

The magnitude of the marriage tax/subsidy can be quite large. For example, Alm and Whittington (1996) estimate that there is on average a marriage tax whose magnitude since 1969 has risen, fallen, and more recently risen, and in the last several years has

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[8] Separate filing for married couples does not typically give a tax advantage to the couple. Internal Revenue Servive statistics show that in recent years, over 95 percent of married couples file jointly.

[9] There are numerous implicit penalties and subsidies imposed by government programs, only some of which are related to income taxation. The U.S. General Accounting Office identifies 1049 federal laws that involve marital status in some way; for example, Dickert-Conlin and Houser (1998) discuss the non-neutrality of the transfer system with respect to marriage. We focus here solely on the marriage tax/subsidy of the federal individual income tax.

averaged roughly $400 (in real 1997 dollars). However, this overall average conceals a great deal of variation. The percentage of families that pay a penalty has risen since 1969, to nearly 60 percent in recent years; for these families the real average penalty has generally exceeded $1000 for most of the last twenty years. On the other hand, for those families that receive a subsidy the average subsidy over this period has also typically exceeded $1000, and the percentage of families receiving a subsidy has fallen over time to less than 30 percent.[10]

It is now widely understood that no progressive tax system can simultaneously ensure that couples with equal income pay equal taxes and that a couple's joint tax liability does not change with marriage (Rosen, 1977). Whether by implicit or explicit choice, the U.S. has elected to focus more on the first goal, with its designation of the family as the unit of taxation. By necessity, then, it has elected to allow taxes to change with marriage. The next section presents our approach to measuring these changes for same-sex couples.

III. ASSUMPTIONS, METHODS, AND DATA

Calculating the marriage tax/subsidy for heterosexual unions is challenging, and there are numerous algorithms for these calculations (Whittington, 1999). Calculating the tax consequences for homosexual households is far more difficult. The number of gay and lesbian individuals in the overall population is a hotly debated issue, with estimates sometimes driven by the perceived political advantage of over- or underestimating the

[10] These calculations are similar to the averages of Feenberg and Rosen (1995). The Congressional Budget Office (1997) finds a slightly lower percentage with a marriage penalty (42 percent) and a higher percentage with a marriage subsidy (51 percent).

homosexual population. The number of gays and lesbians in partnerships is also uncertain, as is the number who would marry if legal marriage became an option. Perhaps most contentious is the income of gays and lesbians: are gay people a disadvantaged group, suffering wage discrimination because of their sexual orientation, or do they earn more than heterosexuals?[11] Indeed, the precise definition of who is homosexual is not without controversy.

In this work we focus on estimates drawn from random samples of the U.S. population, mainly the National Health and Social Life Survey (NHSLS) and the General Social Survey (GSS). Although there are wide ranging estimates of, for example, the number of gays and lesbians in the U.S. adult population, many of these estimates are drawn from "convenience samples", surveys that are nonrandom and so are likely biased. Accordingly, where several sources are available, we rely upon numbers from random population surveys, in order to generate estimates with more statistical validity. However, given the reluctance of many to discuss behavior that they may feel is not approved by society, estimates drawn from random sample surveys may be conservative (Laumann, 1994). We therefore examine at various points the impact of some variations in our basic assumptions. Our basic assumptions, and the data sources behind them, are summarized

[11] For example, the relative income of heterosexual versus homosexual individuals was a primary focus of groups pushing for the Colorado Amendment Two initiative, a constitutional amendment that prohibited the use of homosexual orientation or conduct in claiming protected status. Proponents of the Amendment claimed that homosexuals did not merit protected status because the average income of homosexual households was well-above the average of all Colorado households, using a number ($55,470) generated from a readership survey of the eight leading gay newspapers in the U.S. conducted by Simmons Market Research Bureau. Amendment Two was passed by Colorado voters in 1992, but was subsequently declared unconstitutional by the Colorado Supreme Court, a decision that was upheld by the United States Supreme Court in 1996.

in Tables 1 and 2.

A crucial issue in the existence and the magnitude of the marriage tax/subsidy is the incomes of partners in same-sex households. We first present theory and evidence on the likely incomes of these households. We then discuss the specific steps and the data for our algorithm.

Theory and Evidence on Same-Sex Couples

If a same-sex couple includes two earners rather than only one, then their income tax payments will likely increase if their marriage is legally recognized. Both economic theory and empirical evidence suggest that same-sex couples will have two earners.

The Becker (1991) model of household time allocation shows that an efficient household will use the principle of comparative advantage to assign members to either household or market production in order to maximize the household's production of consumption goods. For an opposite-sex couple, Becker argues that women have a comparative advantage in home production and men an advantage in market production because of wage discrimination against women and a female biological advantage in child rearing. This combination leads to fairly strict specialization, with only one earner per household in opposite-sex couples. In contrast, Becker assumes that homosexual unions do not result in children and that wage discrimination based on sex reduces differences in potential earnings for same-sex couples. Consequently, his model predicts less specialization by same-sex couples and therefore more two-earner couples.

Using a somewhat different approach, Badgett (1995a) suggests that members of

same-sex couples have different norms about work and that they tend to expect their partners to work. She further argues that gay and lesbian couples do not have access to legal institutions that facilitate specialization (e.g., marriage). Both factors reduce specialization by same-sex couples, and thereby increase the likelihood that both members of a same-sex couple will be earners.[12]

The most direct support for the prediction that same-sex couples are likely to include two earners comes from the 1990 Census of Population (Klawitter, 1995). In 1990, the census forms allowed individuals to report that they were the "unmarried partner" of the householder (or the household reference person), allowing comparisons between married couples, cohabiting opposite-sex couples, and same-sex couples. In 59 percent of male same-sex couples and 51 percent of female same-sex couples, both partners worked between 41 and 52 weeks in 1989; only 37 percent of married couples had similar full-year (or almost full-year) work patterns. Comparing hours worked per week tells a similar story. Both partners worked more than 30 hours per week in 71 percent of gay couples and 59 percent of lesbian couples. In only 41 percent of married couples did both partners exhibit this same work pattern.

Blumstein and Schwartz (1983) find a similar pattern in the late 1970s and early 1980s, even though their study is not based on a random sample of couples. Evidence of strict specialization between the home and market is again far stronger for married couples than for same-sex couples. They find that 86 percent of married men but only 38

[12] However, Badgett (1995a) argues that Becker (1991) exaggerates the lack of potential comparative advantage for same-sex couples.

percent of married women work full-time. In contrast, 69 percent of lesbians worked full-time, and only a small number stayed at home full-time. Virtually no men performed housework full-time.

In sum, both studies clearly indicate that same-sex couples specialize less between home and market, suggesting that these households are likely to have two earners.

Data and Methods

We follow several steps in our calculations. **First**, we need estimates of the percent of the U.S. population that is homosexual. Estimates of the overall population are from the U.S. Bureau of the Census. The earliest estimates of the prevalence of male and female homosexuality in the U.S. were made by the Kinsey Institute (Kinsey, Pomeroy, and Martin, 1948, 1953).[13] The Kinsey Institute studies indicated that 10 percent of males were more or less exclusively homosexual and 8 percent of males were exclusively homosexual for at least three years between the ages of 16 and 55; the corresponding percentages for women were 2 to 6 percent and 1 to 3 percent. More recent research, including re-analysis of the original Kinsey Institute data, has often used more statistically valid survey and sampling techniques, while continuing to classify individuals on the basis of questions like "With what type of partner to you usually engage in sex?", "Would you say that you are attracted to members of the opposite sex or members of your own sex?", or "Have you had homosexual experiences (once, occasionally, frequently, or ongoing)?". This research has

[13] Note that minorities were not sampled in these studies, individuals from lower income levels were under represented, and the male sample included institutionalized men. See Gebhard (1972) and Gebhard and Johnson (1979) for further discussion of the sampling methods.

generally confirmed the range of original estimates, without leading to much additional precision (Fay, Turner, and Klassen, 1989; Harry, 1990; Rogers and Turner, 1991; Janus and Janus, 1993).

The most recent estimate of the prevalence of homosexuality is by Laumann, Gagnon, Michael, and Michaels (1994). They use a random population survey from the NHSLS, and estimate that 2.8 percent of the male population and 1.4 percent of the female population thinks of themselves as homosexual or bisexual.[14] These are lower-bound estimates when compared to other recent studies; for example, Janus and Janus (1993) report 9 percent for men and 5 percent for women. However, the Laumann, Gagnon, Michael, and Michaels (1994) estimates are from a random population survey, with a broader goal than determining homosexuality, and are likely to be more trustworthy. Accordingly, we assume that 2.8 percent (1.4 percent) of the male (female) population is homosexual.

Second, we obtain estimates of the percent of the homosexual population that is in a stable same-sex relationship. For males, Harry (1990) reports that 46 percent of those self-classifying themselves as homosexual or bisexual stated that they have a regular gay associate. In a survey conducted by The Partners' Task Force for Gay and Lesbian Couples (1988), 82 percent of gay males and 75 percent of lesbians reported living with a partner of the same sex. Klawitter and Flatt (1998) use GSS and National Opinion Research Center data to determine the number of same-sex cohabiting couples by

[14] Laumann, Gagnon, Michael, and Michaels (1994) also find that even greater percentages of the male and female populations say that they have either desired or had same-sex sexual partners.

gender; they estimate that 26 percent of gays and 28 percent of lesbians live with a partner of the same sex. Again, we use estimates generated from a random survey, or those from Klawitter and Flatt (1998).

Third, we need to determine the percent of the gay and lesbian couples who would marry if marriage became legal. The Partners' Task Force for Gay and Lesbian Couples (1988) concludes that 60 percent of homosexuals would marry, and a March 1996 survey of readers of *The Advocate*, a well-known gay and lesbian magazine, estimates a much higher 81 percent. These estimates are not gender-specific; more importantly, they are not based upon random population surveys. We elect to calculate marriages based simply on the percentages of homosexuals in same-sex cohabiting unions during the past year estimated by Klawitter and Flatt (1998), or 26 percent for gays and 28 percent for lesbians. These numbers may be too high, as all those in unions may not decide to pursue legal marriage. However, they may well be biased downward because many gays and lesbians not currently cohabiting might elect to marry if marriage became legal.

These numbers allow the calculation of the total number of gay and lesbian individuals who would wish to marry if same-sex marriage became legal. For example, the estimate for males equals the 1997 U.S. population aged 18 and over (or 95,372,000) times the percent gay (or 2.8 percent) times the percent in homosexual relationships (or 26 percent), for a total of 694,308. For females, we make the same calculation using the relevant population total (102,736,000), percent lesbian (1.4 percent), and percent in a cohabiting same-sex union (28 percent), for a total of 402, 725. **Fourth**, then, the estimated number of gay and lesbian married couples is simply the number of married

homosexual individuals divided by two. Thus, we estimate that there would be 347,154 male and 201,363 female married couples. These estimates are summarized in Table 1.

Fifth, we derive information on the income of gays and lesbians from several surveys, as given in Table 2; for comparative purposes, Table 2 also presents different measures of average income for the general population, derived from 1996 Current Population Survey (CPS) data. Even though these various estimates are generated for different years, all dollar amounts are converted to 1997 dollars.

The gay income figures come from various sources of differing statistical reliability. The survey by The Partners' Task Force for Gay and Lesbian Couples (1988) was conducted in gay churches and centers, although many couples requested the survey form after reading notices in gay and lesbian magazines. The survey generated 1,749 responses, of which 1,266 were from individuals living in a couple. *Out/Look* (1988), a gay and lesbian magazine, used much of the same survey information in its estimates. Teichner (1989) reports the results of a phone survey conducted in 1989 for *The San Francisco Examiner*. Except for Teichner (1989), all of these surveys are nonrandom, with white, urban, and educated respondents disproportionately sampled.[15]

More representative samples are used by Harry (1990), Badgett (1995b), and Allegretto (1996). Harry (1990) uses a probability sample from the American Broadcasting Company-Washington Post Poll, conducted by phone in September 1985, in which 663 males were asked their sexual orientation, their income, and various

[15] There have also been several surveys conducted by marketing firms, often designed to demonstrate the economic clout of gay and lesbian households. See, for example, Fulgate (1993) for discussion and analysis of marketing-based income figures.

demographic characteristics. Badgett (1995b) uses data from the 1989 to 1991 GSS, conducted by the National Opinion Research Center. Allegretto (1996) uses the Public Use Micro Data Sample from the U.S. Bureau of the Census. As shown in Table 2, these studies indicate a substantial range of gay and lesbian average incomes.

Continuing our preference for lower-bound estimates derived from random samples of the national population, we use the averages from Badgett (1995b) in which average gay income (in 1997 dollars) equals $33,717 and average lesbian income is $19,287. Note that these averages are lower than most other estimates, and are also quite similar to those for the general population. As discussed later, we examine some scenarios in which lower and higher average incomes are assumed.

Sixth, we make several different assumptions about individual use of tax preferences. In one scenario we assume that individuals use the single rate schedule with a single personal exemption, that homosexual couples file as a married couple with no children using the married rate schedule and taking two personal exemptions, and that the individual or the couple takes the relevant standard deduction. In another scenario, we calculate taxes under the assumption that the individual or the couple itemizes deductions, using the procedure employed by Feldstein and Clotfelter (1976) to estimate the amount of these deductions. We also assume in one scenario that some lesbian couples have a child as a dependent.

To illustrate the calculations, consider the following example (Scenario 1 in Table 3). Suppose that a male has adjusted gross income in 1997 of $33,717. With a single standard deduction of $4,150 and one personal exemption of $2,650, this person's taxable

income is $26,917, and, using the 1997 federal income tax tables, the individual has a single tax liability of $4,335. Suppose now that this individual is gay and joins in a legally recognized marriage with another male who has identical income. The total income of the couple equals $67,434; filing jointly, the couple takes the marital standard deduction of $6,900 and two personal exemptions totaling $5,300, giving taxable income of $55,234 and a couple income tax liability of $10,107. Recall that the marriage tax or subsidy is the difference between a couple's taxes as married and their combined taxes if they file as singles. This couple therefore faces a marriage tax of $1,437 (or $10,107 less 2 X $4,335). Using our calculation of 347,154 gay married couples, the aggregate marriage tax equals $499 million. Similar calculations are made for lesbian couples, using an average female income of $19,287 and our estimate of female married couples (201,363). Combining the male and female estimates, the aggregate marriage tax equals $542 million. Other scenarios are calculated in a similar way.

IV. RESULTS

Our results are shown in Table 3, which indicates the average male and female marriage tax and the aggregate additional federal income tax revenues, under a variety of potential scenarios. Although our estimates do not allow explicitly for heterogeneity across same-sex couples, the impact of such heterogeneity can be inferred from the range of scenarios that we examine.

In **Scenario 1**, both individuals in a couple are assumed to have identical incomes, equal to the average gay and lesbian income; individuals and couples are also assumed

to use the relevant standard deduction. As discussed above, these assumptions generate an estimate for additional income tax revenues of $0.5 billion.

In **Scenario 2**, we continue to assume that individuals have the same average incomes, but we now assume that individuals itemize deductions, both as single and married filers. Not surprisingly, this change generates a significant increase in the marriage tax, especially for female couples, and the aggregate estimates of increased income tax revenues also increase. Our estimate is that tax revenues would increase by $0.9 billion.

If we assume that both individuals use the standard deduction but that one member of the couple makes only 3/4 the (average) income of the other (**Scenario 3**), then the estimates of the average marriage tax decline to $629 for gay couples and $214 for lesbian couples. The aggregate revenue impact is only $0.3 billion, our lowest estimate. If instead we assume that both individuals use itemized deductions and that one member makes 1.25 the average income of the other (**Scenario 4**), then the aggregate estimate increases to roughly one billion dollars.

Additional scenarios are easily calculated. Some marketing surveys suggest that average gay and lesbian incomes are significantly larger than the averages calculated by Badgett (1995b) and used above. Suppose we assume that average female and male homosexual income is one standard deviation larger than the Badgett (1995b) estimates, or $29,899 for females and $55,413 for males. If we calculate average marriage taxes with standard deductions (**Scenario 5**), then the average equal-earning male couple pays a marriage tax of $1,437 and the average female couples pays $1,043; the potential

revenues now total $0.7 billion. In **Scenario 6**, we again use high income estimates but now assume that the individuals and equal-earning couples claim itemized deductions. Relative to Scenario 5, this assumption more than doubles the average marriage penalty for male couples (to $2,921), and increases the female penalty by close to 50 percent, to $1,441. The estimate of aggregate additional tax revenues accordingly increases to $1.3 billion, our largest estimate.[16]

All previous calculations were made with the assumption that gay and lesbian couples do not have children, or, at least, do not claim their children as dependents for tax purposes. This assumption is unrealistic. Both the 1993 Yankelovich Monitor (Lukenbill, 1995) and the 1992 Voter News Service exit polls (Badgett, 1994) indicate that lesbians are just as likely as heterosexual women to have children under the age of 18 residing with them. Overall, about 50 percent of family households in the U.S. have at least one child age 18 or less in residence. Accordingly, in **Scenario 7**, we assume that 50 percent of the lesbian potential married couples have one child that they claim as a dependent, that the partners are equal earners with the Badgett (1995b) income estimates, and that individuals and couples use the standard deduction. Note that this family-size estimate is quite conservative, as it assumes that only 25 percent of the women actually have a birth and that they have only one birth. We also assume that gay men claim no children as dependents, that they have equal average incomes, and that they use the standard deduction. Lesbian couples with no children pay an average marriage tax of $214, as in

[16] In contrast, we could assume that average gay and lesbian income is lower than the averages calculated by Badgett (1995b), a modification that would significantly reduce the estimates. However, this possibility seems very unlikely, given the range of income estimates in Table 2.

Scenario 1. The other couples with a child now pay an average of $2,337 additional taxes when married. This increase is largely due to the loss of the Earned Income Tax Credit that one woman incurs if income is pooled rather than taxed separately; also, when single the woman who claims the child can file as a head-of-household, giving her a preferential tax schedule and standard deduction relative to those for single individuals. Overall, the additional revenue in this case is $0.8 billion. The revenue implications increase substantially if we assume itemized deductions and/or an increased number of homosexual couples with children present.

On balance, we believe that the most likely scenario is one in which individuals have more-or-less equal incomes, they use itemized deductions, and some households have children, assumptions that generate an estimate of roughly $1 billion in additional income tax revenues. In fact, even this estimate is likely to be quite conservative. For example, if the numbers of gays and lesbians are closer to the Janus and Janus (1993) estimates of 9.0 percent and 5.0 percent, respectively, then the aggregate revenue impact (under the assumptions of equal incomes and standard deductions) exceeds $4 billion. With equal incomes and itemized deductions, the aggregate impact grows to $7 billion. With equal but higher incomes and itemized deductions, the impact is over $10 billion. Children present in even a small percentage of the homes would generate even greater annual revenues.

These amounts are modest relative to total individual income tax collections in 1997 of $737 billion. However, these amounts are not inconsequential in relation to available estimates of the aggregate revenue impact of the marriage tax/subsidy for heterosexual

couples. For example, Alm and Whittington (1996) estimate that the marriage tax generated $17 to 19 billion in additional revenues in 1994. Feenberg and Rosen (1995) estimate an aggregate revenue gain of over $6 billion in 1994, while the Congressional Budget Office (1997) calculates an impact in 1996 that ranged from a revenue loss of $36 billion to a revenue gain of $8 billion, depending upon the precise assumptions used. Our estimates of a revenue impact of as much as $1.3 billion suggest that legalizing same-sex marriage would significantly increase the marriage nonneutrality in the individual income tax.

V. CONCLUSIONS

Normative questions related to whether same-sex couples should be allowed to marry raise issues beyond the scope of this paper. However, positive questions about the economic consequences of expanding the right to marry are more amenable to economic analysis. Our estimates indicate that legalizing marriages by gay and lesbian couples would lead to an annual increase in federal government income taxes of between $0.3 billion and $1.3 billion, with the most likely impact toward the high range of the estimates.

Of course, it is possible that the tax costs of marriage might discourage some same-sex couples from marrying at all.[17] However, it seems unlikely that taxes are the main, or even a major, factor in the marriage decision for most couples. Besides, greater taxes at marriage could be offset by other economic advantages of marriage, such as

[17] For example, Alm and Whittington (1999) find that the existence of a marriage tax discourages marriage, especially for women, although its effect is generally small.

access to a spouse's health insurance or pension benefits. Perhaps most importantly, same-sex couples might well choose to marry because of the cultural symbolism and value that married status conveys to themselves, their families, and society.

In any event, it is clear that legalizing same-sex marriages would generate some additional tax revenues. These revenues could be used to offset potential increases in federal expenditures on social security benefits or other federal programs paid to newly married couples, if such increases occur. Of course, elimination of the marriage penalty in the individual income tax would also eliminate these revenue gains. Although economic issues are not the dominant concern in the current debate about allowing same-sex couples to marry, we believe that these tax effects merit closer consideration by policymakers.

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TABLE 1
POTENTIAL SIZE OF THE MARRIED GAY AND LESBIAN POPULATION

Characteristics	Males	Females
U.S. Population Aged 18 and Over	95,372,000	102,736,000
Percent of Population that is Homosexual	2.8 %	1.4 %
Percent in Cohabiting Same-Sex Relationships	26 %	28 %
Estimated Number of Homosexual Married Couples	347,154	201,363

Data Sources:

Estimates of the *U.S Population Aged 18 and Over* are from the U.S. Bureau of the Census.

Estimates of the *Percent of Population that is Homosexual* are from Laumann, Gagnon, Michael, and Michaels (1994).

Estimates of the *Percent in Cohabiting Same-Sex Relationships* are from Klatwitter and Flatt (1998).

The *Estimated Number of Homosexual Married Couples* is calculated by multiplying the *U.S. Population Aged 19 and Over* by the *Percent of Population that is Homosexual* by the *Percent in Cohabiting Same-Sex Relationships*, and then dividing by two.

TABLE 2
AVERAGE INCOME ESTIMATES FOR MEN AND WOMEN
(in 1997 dollars)

Group	Annual Income Estimate
1996 CPS Data: Women (Aged 18 and Over)	
All Women	$19,391
Married Women	$19,589
Single Women	$17,339
Married Women Who Work	$24,157
Single Women Who Work	$19,128
1996 CPS Data: Men (Aged 18 and Over)	
All Men	$34,809
Married Men	$41,395
Single Men	$20,459
Married Men Who Work	$46,303
Single Men Who Work	$21,868
Estimates of Homosexual Female Income	
Badgett (1995b)	$19,287
Out/Look (1988)	$26,580 - 31,896
The Partners Task Force (1988)	$19,936 - 33,225
Teichner (1989)	$33,730
Estimates of Homosexual Male Income	
Allegretto (1996)	$38,511
Badgett (1995b)	$33,717
Harry (1990)	$28,500 - 71,249
Out/Look (1988)	$33,226 - 38,541
The Partners' Task Force (1988)	$33,226 - 53,160
Teichner (1989)	$37,314

TABLE 3
POTENTIAL FEDERAL INCOME TAX REVENUES
FROM LEGALIZING SAME-SEX MARRIAGE

Scenario	Average Marriage Tax, Male Couples	Average Marriage Tax, Female Couples	Added Income Tax Revenues
1: Individuals have equal income and use the standard deduction	$1,437	$214	$542 million
2: Individuals have equal income and itemize deductions	$1,589	$1,849	$924 million
3: One individual makes .75 the income of the other individual,and both use the standard deduction	$629	$214	$261 million
4: One individual makes 1.25 the income of the other individual, and both itemize deductions	$1,996	$1,587	$1,012 million
5: Both individuals have one standard deviation higher income, and both use standard deductions.	$1,437	$1,043	$709 million
6: Both individuals have one standard deviation higher income,and both itemize deductions	$2,921	$1,441	$1,304 million
7: Half of all lesbian couples claim one child as a dependent	$1,437	$214/$2,337	$756 million